



FIRST-TIME HOMEBUYER PROGRAM MANUAL

Shared Equity: Downpayment and Closing Cost Assistance



**City of Carlsbad
Housing and Redevelopment
2965 Roosevelt Street, Ste. B
Carlsbad, CA 92009
Phone: 760.434.2810
Fax: 760.720.2037**

**Community HousingWorks
4305 University Avenue, Ste. 550
San Diego, CA 92105
Phone: 619.282.6647
Fax: 619.640.7119**



**EQUAL HOUSING
OPPORTUNITY**

**CITY OF CARLSBAD
FIRST-TIME HOMEBUYER PROGRAM MANUAL**

TABLE OF CONTENTS

PURPOSE OF THE PROGRAM MANUAL

GENERAL DEFINITIONS

SECTION I-BORROWER ELIGIBILITY REQUIRMENTS

- A. ELIGIBLE BORROWER
- B. INCOME CRITERIA
- C. HOUSEHOLD ELIGIBILITY REQUIREMENTS
- D. ELIGIBLE PROPERTIES
- E. MAXIMUM PURCHASE PRICE
- F. LOAN PROCEDURES AND TERMS

SECTION II-PROGRAM ADMINISTRATION AND PROCEDURES

- A. LENDER ELIGIBILITY
- B. LOAN ORIGATION AND PROGRAM APPLICATION
- C. CITY APPLICATION PACKET
- D. PROPERTY INSPECTION
- E. CITY PROCESSING
- F. LOAN CLOSING
- G. CANCELLATION AND COMMITMENT EXPIRATIONS

SECTION III- CHANGES PRIOR TO CLOSING

APPENDIX A-INCOME

APPENDIX B-SEQUENCE OF LOAN PROCESS

APPENDIX C-CITY LOAN QUALITY COMMITMENT POLICY

APPENDIX D-SECTION 8 HOUSING QUALITY STANDARDS (HQS)

APPENDIX E-SHARED EQUITY EXAMPLE

PURPOSE OF THE PROGRAM MANUAL

The purpose of this Program Manual is to describe the program and delineate the role of the City, Community HousingWorks, the applicant/borrower and the lenders. This document contains a description of the City of Carlsbad First-Time Homebuyer Program requirements, processing procedures and program administration. The City contracts with Community HousingWorks (CHW) to administer the program and applicants should contact CHW at 619-282-6647 with questions regarding eligibility and other matters related to the program. Loan processing forms are contained in a separate document. The City may revise these guidelines from time to time. Public notice will be given for significant program changes before adoption.

The City encourages all eligible homebuyers to apply. Participating lenders are expected to be well informed about all the restrictions contained in this manual so that both applicants and sellers are aware of these restrictions before the application is accepted. The lender will reject those applications where the information submitted indicates that the applicant does not qualify for the program.

GENERAL DEFINITIONS

AFFIDAVIT: A deposition filed in connection with the program made under oath and subject to penalties of perjury

APPLICANT: Any person who applies for City loan assistance

ASSETS: Cash or a non-cash item that can be converted to cash. Assets exclude necessary personal property

CITY: The City of Carlsbad

COMMITMENT: A document which is originated and issued by CHW based on review and approval of the application package and lender's certification that the requirements necessary for issuance of a City loan have been met. A commitment will be valid for 120 days. A COMMITMENT WILL ONLY BE MADE FOR A LOAN THAT HAS BEEN APPROVED BUT NOT YET FUNDED. NO EXCEPTIONS WILL BE MADE.

ELIGIBLE BORROWER: Any person meeting the criteria as set forth in this manual

ELIGIBLE DWELLING: Real property located within the City of Carlsbad. This may include a residential unit to be built, a new unit, or an existing. The unit must be designed as a residence for one household and must meet property standards and criteria as set forth in this manual

EQUITY: The dollar amount that constitutes the difference between the sales price of the Property paid by the Applicant, including all City loans, and the price the Applicant is paid for the sale of the Property by any subsequent buyer of the Property.

EQUITY SHARE (Contingent Interest): A percentage of the Equity in the subsequent sale of property by an Applicant that is paid to the City. Equity Share, or Contingent Interest, is a percentage of the difference between the original sales price, including City loan(s), and the price paid by subsequent buyers of the Property. Equity Share represents the benefit you received from the City Loan less a 25% credit for any capital improvements that you may have made to the Property. More specifically, Equity Share and Contingent Interest is 75% of the percentage which is calculated by dividing the amount of City loan(s) by the original sales price the applicant paid for the home, including any City loan(s). A Shared Equity example is attached as Exhibit E

EXISTING HOME (RESALE HOME): A dwelling unit that has been previously occupied

HOME FUNDS/HOME INVESTMENT: Funds received pursuant to the HOME Investment Partnership program under the United States Department of Housing and Urban Development (HUD), codified at 42.U.S.C. Section 12701, et seq., 24 CFR Part 92, to provide funds for affordable housing

HOMEOWNER INVESTMENT: Homeowner's down payment.

INCOME: The gross amount of all taxable income for all mortgagors and adult household members that is anticipated to be received during the coming twelve (12) months. All income derived from any source, including income from wages (gross pay,) overtime, pensions, veteran's compensation, bonuses, public assistance, alimony, net rental income, dividends and interest, etc. must be included. Non-taxable income must be listed, but bracketed, in order to exclude this income from the annual family income calculation; verification of non-taxable status may be required.

ISSUER: City of Carlsbad

LENDER: A financial institution, whether broker, retail, or wholesale, licensed to provide mortgage loans in the State of California. The institution must meet all the requirements established by the City and CHW in order to participate as a lender in the City program

LOAN: An extension of credit provided to an Eligible Borrower to finance the purchase of an Eligible Dwelling

LOW INCOME: A household with income not greater than 80% of the median income as established by the U.S. Department of Housing and Urban Development. Every 12-18 months, these figures are updated by the U.S. Department of Housing and Urban Development

MODERATE INCOME: A household with income not greater than 120% of the median income as established by the U.S. Department of Housing and Urban Development. Every 12-18 months, these figures are updated by the U.S. Department of Housing and Urban Development.

NEW HOME: A dwelling unit that is proposed to be constructed, is currently under construction, or exists but has not been previously occupied

NET PROCEEDS: Sales price minus loan repayment and closing costs

OWNERSHIP: Any of the following interests in residential property: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant that would constitute a present ownership interest if held by the Applicant

PRINCIPAL RESIDENCE: Residence must be occupied as the primary home of the buyer and be defined as one of the following types of residences: 1) single-family house; 2) condominium unit; 3) town home unit.

PROHIBITED MORTGAGE: Second mortgages and any liens superior to the City First-Time Homebuyer loan, other than the new first Trust Deed.

PROPERTY STANDARDS: Minimum performance standards a property must meet for program eligibility. Standards are established in 24 CFR Part 882 (Housing Quality Standards), as attached as Appendix D

PROPERTY VALUE: Value of the eligible property as determined by a certified appraisal

PURCHASE PRICE: Cost of acquiring the residence, excluding usual and reasonable settlement or finance costs, and the value of services performed by mortgagor in completing the acquisition

RELATED PERSON: Any party(ies) who may have a beneficial interest in the sale or financing of the subject property, other than a qualified lender

SINGLE-FAMILY RESIDENCE: Housing unit intended and used for occupancy by one household

SECTION I BORROWER ELIGIBILITY REQUIREMENTS

Both federal and state law sets borrower eligibility requirements. Income guidelines are modified, based on federal directives every twelve to eighteen months.

In an attempt to assure that all requirements are clear, the First-time Homebuyer Application and Affidavit are required to be signed by each Applicant and must be included in the Application Package submitted to the CHW.

A. ELIGIBLE BORROWERS

1. Qualified applicants must be first-time homebuyers. The Applicant may not have held an ownership interest in his/her Principal Residence within the past three years. This timeframe includes those 36 months previous to the date the mortgage is executed. In the case of a married couple, both parties must meet this requirement. The buyer, spouse and any other parties who will be listed on title must meet this requirement. The Lender must verify this through his/her examination of the Applicant's federal tax returns for the preceding three years. The Applicant(s) cannot have claimed a deduction for mortgage interest or taxes on real property claimed as a Principal Residence.
2. To demonstrate compliance with this requirement, Applicants must complete and sign the First-time Homebuyer Application and Affidavit and provide copies of their last three (3) years signed federal tax returns (or acceptable alternative exhibits).
 - a) The Applicant(s) can provide the signed 1040A 1040EZ or 1040 federal income tax forms for the preceding years, including all schedules. These forms shall be submitted to the Lender and forwarded to the CHW with the completed loan application. The tax returns must be signed and dated in blue ink by the Applicants.
 - b) If the Applicant(s) has/have filed the short form, 1040A or 1040EZ for the last three (3) years, completes and signs the required affidavits, but is unable to produce copies of the signed returns, the CHW will accept a completed copy of IRS Letter Form 1722 in lieu of actual returns. The Applicant may request this letter, free of charge, from the local IRS Office. The Letter 1722 must include the signature of a representative of the IRS. Letter Form 1722 should include the following information:
 - i. Name and social security number
 - ii. Type of return filed
 - iii. Marital status
 - iv. Tax shown on return
 - v. Adjusted gross income
 - vi. Taxable income
 - vii. Self-employment tax
 - viii. Number of exemptions
 - c) In the event the Applicant(s) was not obligated to file federal income tax returns for any of the preceding three (3) years, it will be necessary for the Lender to obtain a completed and signed Income Tax Affidavit from the Applicant, which is required in place of the above. This document is to be forwarded to the CHW with the application package.
 - d) If neither copies of the required tax returns or the 1722 Form can be obtained, the Lender may be able to help the Applicant establish first-time homebuyer status with copies of utility bills and a signed and notarized statement from the Applicants landlords for the previous three years.

- e) When the Commitment is issued during the period between January 1 and February 15 and the Applicant has not yet filed his/her/their Federal Income Tax Return for the preceding year, the CHW may rely on an affidavit. The affidavit must affirm that the Applicant is not entitled to claim deductions for taxes or interest on a principal residence for the preceding year. After February 15, a tax return will be required.
3. Upon close of escrow, the buyer must occupy the home as their Principal Residence.
4. Applicant(s) need not be a U.S. citizen. Legal resident aliens are eligible to apply but must show proof of status.
5. Priority is given to current residents of the City of Carlsbad and households who are employed in businesses within the City of Carlsbad at the time of application.

B. INCOME CRITERIA

1. Income must be at or below 120% of the currently published San Diego County median income, adjusted for household size. Income limits have been established by the U.S. Department of Housing and Urban Development and are adjusted annually. In accordance with this requirement, applicants may not obtain "stated income" loans. The true income must be a qualifying factor in loan approval.

Household Size	Annual Income
1 person	\$62,950
2 people	\$71,900
3 people	\$80,900
4 people	\$89,900
5 people	\$97,100
6 people	\$104,300
7 people	\$111,500
8 people	\$118,650

Effective March 19, 2009

2. Gross income is calculated by taking the Applicant's anticipated adjusted gross monthly income, at the time of application, and multiplying it by twelve. Adjusted gross income includes the gross amount of all taxable income, before payroll deductions of: wages, salaries, commissions, fees, tips and bonuses, alimony, public assistance, etc. The adjusted gross income also includes the income earned on assets, such as dividends earned on stock and interest earned on savings and checking. The adjusted gross income qualification is pursuant to the 24 CFR 92.203(b)(3) for reporting under the IRS Form 1040 series for individual federal annual income tax purposes. Gross income includes the combined taxable adjusted gross income of all mortgagors and all other adult members of the household.
 - a. Self-Employed or Seasonal Employees: The formula that the Lender uses to determine the anticipated gross monthly income of self-employed and/or seasonal workers is acceptable provided that all income as described in this manual is included in the calculation.
 - b. Co-Borrower/Co-Mortgagor: If a co-borrower or co-mortgagor will be on both the title and the deed of trust, his/her income must be included in determining eligibility for the program. The IRS regulation states "income to be taken into account in determining gross income is income of the mortgagor(s) and any other person who is expected to both live in the residence being financed and to be secondarily liable on the mortgage."
 - c. Spouses: Married couples are treated as co-applicants, whether: 1) they are separated; 2) either spouse is applying for the loan; or 3) either spouse plans to be named on title.
 - d. Computing Income

- i. *Program Computation vs. Mortgage Underwriter's Computation:* The City loan figure represents ANTICIPATED income, while the Lender's figure represents income AVERAGED over the last few years and the City program requires that every source of taxable and non-taxable income be listed on the Income Computation Worksheet, however, non-taxable income should be bracketed and not added into the maximum annual family income calculation.
- ii. *Income Parameters:* See Appendix A of this manual for examples of sources of income, which must be considered in computing buyer income.
- iii. *Military Pay:* See Appendix A of this manual for Military Pay explanations.
- iv. *Self-Employed:* Year-to-date profit and loss statement and three prior year's tax returns are required.
- v. *Other Income:* Sources of income other than wages must be documented by third party verifications. In cases where the third party fails to respond, acceptable alternative sources of documentation can be determined on a case-by-case basis and should follow standard FNMA income verification guidelines.
- vi. *Documentation:* In cases where the Applicant is employed, acceptable sources of documentation used to verify income include a recent pay stub with year-to-date earnings and an employer Verification of Earnings statement (VOE). If the application is taking place during the first four months of the year, a year-to-date total may be insufficient. The Lender must supplement the pay stub information with the prior year W-2 statement and/or tax returns. On some pay stubs, the year-to-date earnings include pay from the last part of the prior year. If this is determined to be the case, request that the employer submit a signed statement of verification of exact year-to-date income. Miscalculation can result in the determination of excess income and disqualification of the buyer.
- vii. *Income Verification:* The Lender bears the burden of proving that the Buyer's income is within the program guidelines. The computation should be clear, complete, and documented by third party verifications, to the greatest extent possible.
- viii. *No Income:* Adult members, 18 years and older, of the household who have no income must complete and sign the Declaration of No Income form.

C. HOUSEHOLD ELIGIBILITY REQUIREMENTS

1. Households shall have sufficient income and credit-worthiness to qualify for primary financing from a participating lender.
2. Households will be required to provide a down payment or cash investment. A minimum contribution of 3% of the total purchase price of the property will be required from the borrower's personal funds and must be used for down payment, closing costs or cash reserves.
3. Maximum liquid assets after downpayment and closing cost contribution may not exceed \$25,000.

D. ELIGIBLE PROPERTIES

1. Properties must be located within the City of Carlsbad limits.
2. Properties can be new or resale single-family homes, including detached homes, condominiums and townhouses. Duplexes, triplexes or fourplexes do not qualify as eligible properties.
3. Properties must be owner-occupied or vacant. The City will not incur costs for tenant relocation.

4. Properties must meet minimum health and safety standards upon occupancy. *See Appendix D for detailed Housing Quality Standards.*
5. Properties built prior to 1978 must meet compliance with lead-based paint regulations for Notification, Evaluation and Reduction of lead-based paint hazards in federally owned property and housing receiving assistance; Final Regulation (September 15, 1999) [24 CFR Part 35]

E. MAXIMUM PURCHASE PRICE

The maximum purchase price cannot exceed 95 percent (95%) of the median purchase price for the area, as determined by the U.S. Department of Housing and Urban Development. Currently, the maximum appraised value for eligible properties is \$559,550. (effective 3/08).

F. LOAN PROCEDURES AND TERMS

1. The maximum loan amount shall be 5% of the purchase price of the Property, up to a maximum of \$40,000, subject to the condition of the property, qualifying factors and staff assessment. Up to 2% of the purchase price may be funded by the City loan toward payment of closing costs. The City loan may be used toward the down payment, closing costs, or any combination thereof.
2. The maximum CLTV (combined loan to value) of the City and the new 1st Trust Deed loans shall not exceed the maximum approved CLTV required by the 1st mortgage lender.
3. No non-occupant co-borrowers shall be allowed.
4. Total housing ratio (PITI) cannot exceed 30% of Applicant(s) gross monthly income. The City may make exceptions if less than twenty percent payment shock is involved.
5. Total debt-to-income ratio may not exceed 45% or 41% if obtaining an FHA loan.
6. No prepayment penalty allowed.
7. Maximum fees to the Applicant of 1.25% origination, discount points for below par pricing only, and \$350 processing are acceptable for the purchase transaction. No other Broker or Admin type fees allowed. Other third party fees that are reasonable and customary are allowable.
8. The terms of the City's second trust deed are designed to encourage long-term residency in the program-assisted home. The City loan must be repaid with Contingent Interest (Equity Share) when the home is sold or rented. No Contingent Interest (Equity Share) is collected by the City if the Applicant resides in the home for the entire term of the City loan. *See shared equity example in Exhibit E.*
9. The loan shall become due and payable at the time of the property's transfer of title, refinance (except as earlier defined), rental or sale.
10. The loan shall also become due and payable when the acceleration clause has been triggered. The acceleration clause will be in effect when the property is no longer the principal place of residency of the eligible homebuyer, or upon discovery of willful misrepresentation or fraud in connection with the program. Rental of the property is prohibited and will cause the loan to be accelerated.
11. Second and subsequent mortgages to the new First Trust Deed, except for this City Loan, are not permitted.
12. The loan is not assumable.

13. A Promissory Note and Deed of Trust will secure the loan.
14. The City Loan can be used with conventional, FHA, VA, and other loans issued by a qualified lender, except adjustable rate mortgages, negative amortization and stated income mortgages.
15. The City of Carlsbad Housing and Redevelopment Department does not underwrite the loans. Lenders will process the underlying mortgages using standard procedures, with adjustments to those procedures to conform to the City loan guidelines.

SECTION II

PROGRAM ADMINISTRATION AND PROCEDURES

Community HousingWorks (CHW) administers the City's First-Time Homebuyer Program. Eligible Applicants will apply to CHW for the Homebuyer Program in conjunction with normal mortgage loan application procedures. The City loan application must be filed with an application for a mortgage to a Participating Lender.

The CHW loan processing procedures are designed to coincide with the standard mortgage loan processing and underwriting criteria that are in place at most mortgage lending institutions, although there are some CHW restrictions that must supercede normal processing and underwriting criteria. Recognizing that there are procedural variations among participating lenders, the steps outlined here are meant to serve as sequential guidelines. *Please note, however, that all elements of the processing sequence must be completed at some point.*

A. LENDER ELIGIBILITY

Lender is defined as a financial institution, whether broker, retail, or wholesale, licensed to make first mortgage loans in the State of California. All Lenders who wish to participate in the program must be enrolled as a participating lender. To enroll and maintain active status a lender must:

1. Attend a lender certification course by Community HousingWorks
2. Agree to adhere to Quality Commitment Policy. *Please refer to Appendix C.*
3. Designate a contact person for the program
4. Pay a lender certification fee of \$50.
5. All lending personnel involved with the program must attend CHW training sessions and study and apply procedures listed in the Lender Training Handbook
6. Provide the First-time Homebuyer Program Manual and Lender Training Handbook to all loan processors
7. Cooperate with CHW staff in providing the best possible service to the Applicants

The Lender will be required to submit certification that no material misstatements appear in the application and program documents. If the Lender becomes aware of such, whether negligently or willfully made, he/she must notify the CHW immediately. The Lender should also be aware and inform the Applicant of penalties provided by California law if a person makes a false statement or misrepresentation for the sole purpose of participating in this program. All lawful actions will be taken to correct or mitigate the problem.

B. LOAN ORIGATION AND PROGRAM APPLICATION

1. Borrower applies to the Lender for a mortgage and City loan. Lender performs standard underwriting procedures to qualify Applicant for a first mortgage, utilizing the CHW's required underwriting requirements in lieu of certain standard criteria.
2. Lender describes parameters of the program to Applicant and determines eligibility based on a review of income, prior homeownership and all other factors listed in this manual.
3. Lender obtains three prior year's tax returns from Applicant and prepares to have the Seller Affidavit forwarded with instructions to the seller.
4. Lender gives the Applicant a copy of the First-Time Homebuyer Application and Affidavit. This document serves as the formal application to the CHW and contains the required certifications below:
 - a. That the residence will be used as the Principal Residence and that the Applicant must notify the City when the home ceases to be the Principal Residence
 - b. That the Applicant has not had an ownership interest in a Principal Residence during the three year period prior to the date of application
 - c. That this is a new mortgage loan*
 - d. That the loan applied for does not constitute a prohibited mortgage*
 - e. That the Applicant was not forced to apply through a particular Lender
 - f. That the Applicant's gross annual household income does not exceed permitted income limits
 - g. That no interest is being paid to a related person*
 - h. Acknowledgment that any material misstatement or fraud is made under penalty of perjury

*New Mortgage Requirements: The Lender and the Applicant, using the Program Affidavits, state that the mortgage being acquired in connection with the loan will not be used to acquire or replace an existing mortgage or land contract.

*Prohibited Mortgages: Any liens superior to the City First-Time Homebuyer Loan, other than the new first Trust Deed, are not allowed under any circumstances.

*No Interest Paid to Related Persons: No interest on the mortgage (or certified indebtedness) may be paid to a person who is a "Related Person", any party(ies) who may have a beneficial interest in the sale or financing of the subject property, other than the qualified Lender.

C. APPLICATION PACKET

Lender transmits an application packet to Community HousingWorks that includes the following forms and additional documentation as required:

1. First-Time Homebuyer Application and Affidavit*
2. Complete copy of Lender's First Mortgage Loan Application
3. Income Computation Worksheet and all supporting documentation*
4. Most recent 30-day bank statement
5. Lead-Based Paint Disclosure*
6. Copy of Signed Receipt of Disclosures
7. Seller Affidavit*

8. Purchase Contract and all Addendums signed by all parties
9. Appraisal and 1004D
10. Copy of Title Report
11. Three years of Federal Income tax Returns and/or Declaration of No Income Affidavits* for a three-year period
12. Funding Request and Escrow Information Sheet*
13. Letter of Assignment (*if the Funding Lender is different than the Originating Lender: A copy of the Notice of Transfer signed at closing or a letter on company letterhead with the name, address, phone and fax number of the Funding Lender along with the date the assignment is being made will be sufficient*)
14. Certificate of Completion for First-Time Homebuyer Education Training Course
15. Signed and executed copy of the Power of Attorney if applicable

*Forms are to be completed as high quality copies of the original documents. Updated forms will be provided to participating lenders as they are revised and may be ordered from CHW. *Please note that all documents must be submitted in hard-copy form and are not accepted by facsimile.*

Mail the APPLICATION PACKAGE directly to:

Community HousingWorks
Lending Division
4305 University Ave., # 550
San Diego, CA 92105

Submission of the above mentioned forms/documents constitutes completion of the APPLICATION PACKAGE. Technically, the originating broker's role is finished and the funding lender is responsible for submitting the final Close of Escrow Package. However, it is advisable for the broker to discuss with the funding lender their role in submitting the closing package, a failure to meet the Commitment expiration deadline can result in additional work and costs to both the broker and funding lender.

D. PROPERTY INSPECTION

Effective September 15, 2000, all properties built prior to 1978 must meet new HUD regulations for notification, inspection, reduction/abatement and clearance of lead-based paint hazards under Title X of the Housing and Community Development Act of 1992.

The Lender must request that CHW and/or Independent Certified Risk Assessors (or certified equivalent) conduct a property inspection and Risk Assessment to ensure the subject property meets Housing Quality Standards (HQS) and HUD lead-based paint regulations.

Prior to the close of escrow, an Independent Certified Risk Assessor will inspect the property for health and safety defects and lead-based paint hazards. The Lender will be notified of work needed to cure defects, if any. The City loan may be funded upon the completion of the repairs and clearance from CHW and/or Risk Assessor.

If a determination is made that Lead-Based Paint Hazards are present on the subject property, the CHW shall notify Buyer, Lender and Escrow within 15 days of such determination and provide those parties with a copy of any and all Risk Assessment Report(s). *Reduction or abatement of all identified Lead-Based Paint Hazards must be corrected prior to close of escrow and prior to wire transfer of the City's funds.*

FHA-insured First Mortgages: In cases where the buyer obtains said mortgage, the City may substitute the FHA property inspection for a property inspection. *The FHA inspection does not, however, satisfy HUD lead-based paint regulations unless no lead-based paint hazards are found and are fully noted on the FHA inspection report.*

E. APPLICATION PROCESSING

1. CHW accepts and reviews the Application package and makes a determination as to completeness and accuracy. After the Application has been approved, CHW will issue a Commitment to the Lender. The Commitment designates a reservation number for the Application and is valid for 90 calendar days.
2. Lender will complete the remainder of the standard mortgage application process
3. Package Turn-Around: Turn around time for reviewing and sending a loan commitment or denial letter to the Lender is 10 business days from the receipt of a complete package.
4. RUSH: Packages marked "RUSH" or "SUPER RUSH" etc. will not be processed ahead of other pending packages.
5. Incomplete Packages: Incomplete packages may delay the approval and subsequent issuance of the Commitment Approval Letter.

F. LOAN CLOSING

1. CHW partially completes the Closing Affidavit.
2. Lender and CHW forward loan documents to selected escrow officer with instruction for closing the loans. The buyer signs the City loan documents. The escrow officer forwards the copies of the executed Loan Documents back to CHW and/or City.
3. Before the expiration of the 90-day commitment and prior to recordation the Lender and Escrow send the Close of Escrow documents to CHW. These documents include:
 - a. Signed copy of City Deed of Trust, Resale Restriction Agreement, Notice of Affordability, (*Escrow sends original Deed of Trust, Notice and Agreement to County Recorder's Office*), original Promissory Note, Truth in Lending Statement, Escrow Instructions and all amendments and copy of estimated HUD 1 Statement.
 - b. Closing Affidavit signed by the Applicant(s) at the time of the loan closing.
 - c. All outstanding loan conditions listed on the Commitment letter and/or Instructions to Escrow.
 - d. City reviews Closing Package and checks the file to ensure all necessary documents have been submitted.
4. CHW will transfer funds by wire as instructed on the Funding Request and Escrow Information Sheet located in the forms section of this Manual. Any secondary wires that are issued due to errors on behalf of the Lender, Escrow or Title Company will require an additional \$35.00 re-wire fee and shall be paid by the party at fault.

Lenders must adhere to the time frame for the City and CHW processing period, promptly notifying CHW in writing of any loan cancellations and/or request for reservation or commitment extensions.

If the Lender assigns responsibility of execution of City loan forms to Escrow or Title Office personnel, the Lender assumes full responsibility for training the personnel to comply with the requirements of this Manual.

G. CANCELLATION AND COMMITMENT EXPIRATIONS

1. Cancellations: When a decision is made not to continue with the City application, written notice must be received at the Offices of Community HousingWorks prior to the expiration of the Commitment. The notice must include the reason for the cancellation and the signatures of both the Lender and the Applicant.
2. Expiration of Commitment: Before the Commitment has expired, the Lender must either:
 - a. Submit the closing package
 - b. Submit written notice of loan cancellation
 - c. Request a 30 day extension in writing

Upon expiration of the Commitment, the Lender must do one of the following:

- a. If the loan has not closed, the Lender must submit a request for extension and provide estimate of closing date to CHW
- b. If 120 days has passed since the Commitment was issued and no extension was requested, the Lender must submit an entirely new Loan Application with current income verification with a letter of explanation for the delay
- c. If the loan was canceled, the Lender submits a cancellation notice as described above

In all cases, expiration of the Commitment without the required action by the Lender will result in the Lender being placed on "Inactive Status", and the Lender may submit no new City applications until the issue has been resolved. Failure to comply may result in the Lender's removal from the Certified Lender Partner List and program.

SECTION III

CHANGES PRIOR TO CLOSING

Community HousingWorks issues a loan Commitment based on the Applicant's and Seller's Affidavits and the Lender's certification that the City's Program requirements have been met. The Lender must immediately notify the CHW in writing of any change that could affect the Applicant(s) eligibility for the loan. If a change in the circumstances of the Applicant is such that he/she no longer meets program requirements, the Commitment is automatically revoked.

1. Income: The eligibility of the Applicant for a City loan is based on the Applicant's anticipated taxable income. CHW will issue the Commitment based on the household income as of the date the Commitment is issued. The income verified for the Commitment is valid as long as the loan closes within three months after the financial information was originally submitted and there have been no changes which effect previously reported income. If the loan does not close within three months, all applicable City documentation must be submitted and income must be re-verified.
2. Marital Status: If the Applicant gets married after issuance of the Commitment and prior to closing, the spouse must satisfy the prior homeownership requirements contained in the First-Time Homebuyer Application and Affidavit and the Closing Affidavit. The Lender must also notify the CHW program administrator. Any increase in the household income because of the new spouse must also be considered and may affect re-issuance of a new Commitment.
3. Acquisition Cost: If a change in acquisition cost occurs after the Commitment and prior to closing, the Lender will be required to originate and submit a new version of:
 - a. First-Time Homebuyer Loan Application and Affidavit
 - b. Amended Escrow Instructions
 - c. Seller Affidavit
 - d. All other documentation that may be applicable as listed previously in this Manual
4. Loan Amount: Any changes to the loan amount which occur after the Commitment has been issued and prior to closing must be reported to the City immediately by phone, followed up with a

written confirmation along with all applicable documentation listed in this Program Manual. Upon receipt of revised/updated documentation, a revised Commitment may be issued.

APPENDIX A

INCOME

GROSS ANNUAL INCOME

Gross annual income is defined as the anticipated annualized gross taxable income of a mortgagor (or mortgagors) and adult members of the household. Annualized income is the sum of monthly gross taxable income multiplied by twelve (12). Gross monthly income includes all taxable sources of income derived from: gross pay, overtime compensation, part-time employment earning, bonuses, dividends, interest, royalties, pensions, Veterans Administration (VA) compensation, net rental income, alimony, public assistance payments, sick pay, social security benefits, unemployment compensation, income received from trusts, income received from business activities or investments, and any other source of taxable income not listed above.

Information regarding income must be current within the most recent 30-day period preceding loan closing. Income not included by the Lender, but listed above, must be added to the Lender's income total on the "Income Computation Worksheet" income eligibility calculation for the City loan program. Income of the mortgagor (or mortgagors) and any other adult who is expected to live in the residence being financed must also be included in the household income calculation. All non-taxable income must be listed and bracketed on the "Income Computation Worksheet", but not counted when calculating the annual gross family income.

In summary, income of all mortgagors (on both title and deed of trust) shall be included in the gross income calculation for the program. Additionally, the income of any adult who will live in the residence should be included. For married couples, income includes the income of both spouses, whether or not on title.

MILITARY PAY

For purposes of computing the buyer's gross monthly income, the monthly income is the "total entitlement" shown on the applicant's most recent monthly Leave and Earnings Statement and includes all regular pay, special pay and allowances. Non-taxed income, such as a housing allowance is not counted as income, but must be listed and bracketed. Certain categories of pay, which may be received only sporadically, may need to be considered on a case-by-case basis.

APPENDIX B

SEQUENCE OF LOAN PROCESS

1. HOMEBUYER
 - With Lender, determines loan eligibility.
 - Selects house that is vacant or owner-occupied.
 - Makes Purchase Offer, which is accepted pending financing.
 - Applies to Participating Lender for financing.
 - Lender gives homebuyer a City Loan Information Package.
 - Completes Homebuyer Education course.
2. LENDER
 - Starts processing for mortgage loan and City loan.
 - Verifies eligibility for City loan. Prepares and forwards application package to CHW.
 - Processes, underwrites and approves Applicant for first mortgage.
 - Requests that CHW inspect property for health and safety defects.
3. COMMUNITY HOUSINGWORKS STAFF AND CERTIFIED LEAD BASED PAINT PROFESSIONALS:
 - Inspects selected property for health and safety defects, lead-based paint hazards and notifies lender, buyer and Escrow of work needed to cure defects.
 - CHW notifies Buyer, Lender and Escrow within 15 days of lead-based hazard determination (if applicable), and provides Buyer, Lender, and Escrow a copy of any/all Risk Assessment Report(s).
 - CHW issues Commitment to Lender after approving application package and verifying that the property meets minimum property standards. *(NOTE: The CHW may choose to issue a Commitment pending receipt of missing documentation and completion of work to cure property of code violations and/or lead-based paint hazards.)*
 - Work to cure property defects and/or lead-based paint hazards takes place by Certified Lead-Based Paint Professionals (if applicable).
 - Re-inspection and clearance of property takes place to ensure Housing Quality Standards and elimination of lead-based paint hazards.
4. ESCROW, LENDER & CHW
 - Coordinates signing of all closing documents by Sellers and Borrowers.
5. LENDER
 - Sends Close of Escrow Package and all outstanding documentation (per the Commitment) to CHW prior to Commitment expiration.
 - Funds loan through Escrow/Title and Escrow/Title Company and sends Deed of Trust and all recordable documents to the Title Company or County Recorder's Office (close of escrow).
6. COMMUNITY HOUSINGWORKS
 1. Receives and reviews Close of Escrow Package (outstanding documentation, original documents, and certified/executed copies).
 2. Wires City loan funds through Escrow/Title and Escrow/Title Company sends Deed of Trust and all recordable documents to the Title Company or County Recorder's Office (close to escrow).
 3. Conducts random audit of Lenders records.
7. HOMEBUYER
 - Receives City loan.
 - Signs an Annual Affidavit of Owner-Occupancy.

APPENDIX C

CITY LOAN QUALITY COMMITMENT POLICY

The City and Community HousingWorks invites the entire mortgage lending community to participate in the First-Time Homebuyer Program. Participation will continue to be open to those mortgage lenders who uphold the following work standards:

- Lending company personnel receive training for the program before being assigned to prepare loan packages. This training includes: CHW training sessions (if applicable); knowledge of training manual; knowledge of CHW-provided update letters.
- Each lender enrolled in the program designates a CHW Contact Person for each participating branch. The Contact's responsibilities include: 1) making Lender Update letters (including attachments) available to CHW staff in a timely manner; 2) attending at least one training session per year (if applicable); 3) notifying CHW staff of any re-assignment of Contact person and/or changes in company location and or status.
- Expiration of a CHW Loan Commitment without submission of the required paperwork must be addressed in a timely manner by; submitting the documents necessary to make the file current, close the loan, or canceling the pending loan with notification to the CHW.
- The lender must obtain the CHW's Commitment to issue the loan before funding the loan.
- Each funding lender ensures that the closing or funding department of their company is aware of their obligations under the loan program and is prepared to submit all necessary closing documentation in a timely manner.
- Buyers are treated fairly, receiving a full and accurate explanation about the city loan. For questions that the lender cannot answer, the buyer is referred to CHW.

APPENDIX D

SECTION 8 HOUSING QUALITY STANDARDS (HQS)

The Acceptability Criteria listed with each section sets the minimum standards that must be met in all residential units. The Interpretation of Acceptability Criteria listed after those criteria are the standards that HUD feels should also be met if the property is to have long-term utility and contribute to the livability of the unit.

SECTION 8 HOUSING QUALITY STANDARDS ACCEPTABLE CRITERIA AND INTERPRETATIONS

- A. SITE AND NEIGHBORHOOD - The site and neighborhood shall be reasonably free from disturbing noises and reverberations and other hazards to the health, safety and general welfare of the occupants.

ACCEPTABILITY CRITERIA - The site and neighborhood shall not be subject to serious adverse environmental conditions, natural or manmade such as:

- Dangerous walks, steps or instability;
- Flooding, poor drainage, septic tank back-ups, sewer hazards or mudslides;
- Abnormal air pollution, smoke or dust;
- Excessive noise, vibrations or vehicular traffic;
- Excessive accumulations of trash;
- Vermin or rodent infestation;
- Fire hazards;

Generally, approval of an area under the Section 8 requirements will be sufficient to meet these criteria.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- All steps and walks should be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken & missing materials, etc., and be provided with sufficient pitch to prevent water accumulation.
- The lot should have positive drainage away from the dwelling and/or dwelling unit to prevent standing water at the foundation.
- No additions.
- No additions.
- Any materials, which accumulate on a property in the neighborhood, should be removed or screened and arranged in a manner that does not detract from the general appearance of the neighborhood.
- No additions – removal of trash, garbage, debris, etc., will significantly reduce infestation problems.
- The site should be free from fire hazards, such as the storage of highly flammable materials, etc.

- B. ACCESS – The dwelling/dwelling unit shall have adequate access for the occupants.

ACCEPTABILITY CRITERIA -

- The dwelling/dwelling unit shall be usable and capable of being maintained without unauthorized use of other private properties.
- The building shall provide an alternative means of egress in case of fire, i.e., fire stairs, egress through windows, etc.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- The property should be adjacent to an access street or road.
- No additions.

- C. STRUCTURE AND MATERIALS - The dwelling/dwelling unit shall be structurally so as not to pose any threat to the health and safety of the occupants and so as to protect the occupants from the environment.

ACCEPTABILITY CRITERIA

- Ceilings, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage.
- The roof structure shall be firm and the roof shall be weather tight.
- The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding or other serious damage.
- The conditions and equipment of interior and exterior stairways, halls, porches, walkways, etc., shall be such as not to present a danger of tripping and/or falling.
- Elevators shall be maintained in a safe operating condition.
- In the case of a mobile home, the home shall be securely anchored by a tie-down device, which distributes and transfers loads imposed by the unit to appropriate ground anchors so as to resist wind, overturning and sliding.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- Where crawl spaces or basements exist, all first-floor structural wood members, including floor joists, plates, piers and pilings should be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members should be repaired and/or replaced as required. The exterior/interior walls should be weather-tight in a manner that prevents heat loss in the winter (cooling loss in the summer) as much as possible. This includes the repainting and/or installations of siding to protect the exterior surface from the elements. The interior walls should be repaired/replaced as required to facilitate this criterion.
- The roof structure should be firm in that all roof-framing members should be free from cracks and rot. The roof sheathing should be solid and free from sagging, buckling, heaving, etc. If the roof appears to be well worn, it should be replaced. If possible, the best replacement will include stripping all the way down to the sheathing and replacing. If costs dictate, a second layer of roofing can be installed over the first layer. If there are already two or more layers of roofing materials, the roof should be stripped down to the sheathing, and if necessary, replace the sheathing and then install the new roof covering.
- Concrete block or brick foundations, piers and pilings, should be inspected for loose mortar joints. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure. The joints should be recessed. The chimney should be inspected for loose mortar joints and proper height. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the chimney. The joints should be recessed.
- All exterior steps, walkways and porches should be free of tripping hazards. Crumbling, cracked, broken, missing and/or uneven conditions should be repaired and/or replaced

as necessary. The condition of all interior stairways should be such as not to present a danger of tripping or falling, see above. Handrails should be properly installed on all stairways.

- No additions.
- The property should be inspected by a qualified extermination firm, and if necessary treated for vermin, rodents, termites and other wood-burrowing insects.
- All outbuildings such as garages, storage sheds, etc., should be repaired to a usable condition or removed from the property.
- The general appearance of the outside of the structure and the lot, after rehabilitation, should be such that it makes a significant contribution to the general appearance of the neighborhood.
- Installation of gutters and down spouts is strongly recommended in order to divert water away from foundations.

D. LEAD-BASED PAINT – The dwelling unit shall be in compliance with the HUD Lead-Based Paint regulations.

ACCEPTABILITY CRITERIA

- The dwelling/dwelling unit shall comply with HUD Lead-based Paint regulations at 24 CFR Part 35, issued pursuant to the Lead-Based Paint Poisoning Prevention Act, 42 USC 4801.
- The owner shall provide a certification that the dwelling is in compliance with such HUD regulations.
- If the property was constructed prior to 1978, any in-place tenant/family shall be furnished a notice and pamphlet as required by the Lead-Based Paint regulations. Such notice shall inform them of the procedures regarding the hazards of lead-based paint poisoning, the symptoms and treatment of lead poisoning and the precautions to be taken against lead poisoning.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- Compliance with the Lead-Based Paint regulations requires the following actions:
 - Notification to all occupants that the property may contain lead-based paint, if constructed prior to 1978, and the hazards, symptoms and treatment of such poisoning, including information on testing for elevated blood levels (EBL) for children.
 - All contracts shall include language prohibiting the use of lead-based paint.
 - The inspection for and elimination of “immediate hazards”, which are defined as chipping, peeling, flaking, cracking or other defects in previously painted surfaces.
- No additions.

E. WATER SUPPLY

ACCEPTABILITY CRITERIA

- The dwelling/dwelling unit shall be served by an approved public or private sanitary water supply.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- The dwelling unit should have a water heater of sufficient capacity to serve present and anticipated future residents. Further, they should not be allowed in bathrooms, bedrooms, sleeping rooms or closets.
- Hot and cold water should be supplied to all kitchens, baths and laundry facilities.
- All water lines should be protected from freezing.

- F. INTERIOR AIR QUALITY - The dwelling/dwelling unit should be free of pollutants in the air at levels that threaten the health of the occupants.

ACCEPTABILITY CRITERIA

- The dwelling/dwelling unit shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants.
- Air circulation shall be adequate throughout the dwelling/dwelling unit.
- Bathroom areas shall have at least 1 openable window or other adequate exhaust ventilation.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- All gas or oil fired appliances should have proper venting to the outside of the dwelling/dwelling unit for combustion gases.
- All windows designed to open should be capable of being easily opened, provided with the proper window hardware to make them both operable and openable, and provided with screens properly installed and maintained.
- Kitchen areas should also have proper ventilation.

- G. ILLUMINATION AND ELECTRICITY – Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical sources shall be provided to permit use of essential electrical appliances while assuring safety from fire.

ACCEPTABILITY CRITERIA

- Living and sleeping rooms shall include at least one window.
- A ceiling or wall-type light fixture shall be present and working in the bathroom and kitchen areas.
- At least two electric outlets, one of which may be an overhead light, shall be present and operable in the living area, kitchen and each bedroom area.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- No additions not performed in a workmanlike manner
- A ceiling or wall fixture, operated by a wall switch should be present in the kitchen, bath and hallways.
- All outlets installed as a result of the rehabilitation work should be of the grounded type.
- Each unit should be provided with a least 100 amp service and a sufficient number of circuits to service present and anticipated future use of the:
 - There should be separate circuits for any air conditioners (including window type), furnaces, electric dryers, electric stoves, microwaves and any other special appliances.
 - There should be two separate 20-amp circuits (minimum) for the heavy workload area in the kitchen, and all kitchens should be wired to the National Electric Code (NEC), based on the size and layout of each individual kitchen.
 - With the exception of kitchens (see b. above), all other rooms should be assessed relative to their use of electricity and additional outlets and/or switches installed based on usage and safety factors.
 - Electrical outlets in the bathrooms and kitchens should have an overload switch.
- Connection at the main service to the unit should be in an acceptable manner.
 - Placement of the connection should be out of the reach of children,
 - Proper anchoring should be used.
- All defective exposed “knob & tube” wiring should be removed. It is recommended that any additional exposed “knob & tube” also be removed and replaced in conduit to prevent splicing and/or unsafe usage.
- All hazardous conditions such as broken switches/outlets, missing covers, bare wiring, fixtures not properly installed/anchored should be repaired/replaced in an acceptable

manner. It is recommended that all “pendant” type fixtures be replaced with an appropriate ceiling/wall fixture.

- Although though a room may meet acceptability criteria #3 above, if the
- inspection reveals the use of octopus plugs, adapters, extension/zip cords
- and/or other unsafe practices, additional outlets should be installed.

- H. THERMAL ENVIRONMENT – The dwelling/dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

ACCEPTABILITY CRITERIA

- The dwelling/dwelling unit shall contain safe heating and cooling facilities, which are in proper operating condition and can provide adequate heat and/or cooling to each room in the dwelling/dwelling unit appropriate for the climate to insure a healthy living environment.
- Unvented room heaters that burn gas, oil or kerosene are unacceptable.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- All parts of the venting system for central heating/cooling units should be in proper working condition. For example:
 - Vent pipes should be free of rust and be properly maintained.
 - Where vent pipes are connected to a masonry chimney, that chimney should be properly maintained so that all mortar joints are tightly sealed.
- No additions.
- The attic should be insulated to a rating of R-30 with acceptable insulation material. Where cellulose is used, it should be tested for fire protection. Cellulose bags should be labeled with acceptable ratings derived from flame-spread tests.
- Weather stripping should be applied as needed around all doors and windows.
- Storm windows and doors should be installed whenever possible.
- Any inside walls that are on an exterior wall, if opened down to the studs during the course of the rehabilitation, should be fully insulated with an acceptable insulation material.
- All joints in the building envelope should be caulked/sealed. All brittle or loose caulking should be replaced.
- Supply and return heating/air-conditioning ducts should be insulated whenever they run through unheated areas/spaces.
- It is strongly recommended that whenever space heaters and/or floor furnaces are used, they be replaced with a properly installed more efficient central heating/cooling system.

- I. SANITARY FACILITIES – The dwelling/dwelling unit shall include its own sanitary facilities, which are in proper operating condition, can be used in privacy, and are adequate or personal cleanliness and the disposal of human waste.

ACCEPTABILITY CRITERIA

- A flush toilet in a separate, private room; a fixed basin with hot and cold running water; and a bathtub and/or shower with hot and cold running water, shall be present in the dwelling/dwelling unit, and shall be fully operational.
- These facilities shall utilize an approved public or private disposal system.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- The toilet, basin, and tub or shower should all be located in the same room, if
- at all possible.
- Where a public sewage system is not used, documentation in the file should
- show where the appropriate health agency has approved the disposal system.

- J. SPACE AND SECURITY – The dwelling/dwelling unit shall afford the family

adequate space and security.

ACCEPTABILITY CRITERIA

- A living room, kitchen area, and bathroom shall all be present.
- The dwelling/dwelling unit shall contain at least one sleeping or living/sleeping room of appropriate size for each two persons.
- Exterior doors and windows accessible from outside the unit shall be lockable.
- Each dwelling/dwelling unit should have smoke detectors. Where bedrooms are located on more than one floor of a structure, smoke detectors should be installed on each floor. It is recommended that all smoke detectors be U.L. approved and be hard-wired. U.L. approved battery type or a combination electric/battery type may also be used.

INTERPRETATION OF ACCEPTABILITY CRITERIA

- No additions

- K. FOOD PREPARATION AND REFUSE DISPOSAL – The dwelling/dwelling unit shall contain suitable space and equipment to store, prepare and serve foods in a sanitary manner. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary.

ACCEPTABLE CRITERIA

- The unit shall contain the following equipment in operating condition: 1) cooking stove or range, 2) refrigerator or appropriate size for the unit supplied by either the owner or the tenant/family, and 3) kitchen sink with hot and cold running water.
- The sink shall drain into an approved public or private system.
- Adequate space for the storage, preparation and serving of food shall be provided.
- There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary (i.e. garbage cans).

INTERPRETATION OF ACCEPTABILITY CRITERIA

- No additions made without City permits and not performed in a workmanlike manner.
- Food storage space should be in the form of cabinets and/or pantry type storage. Food preparation space should be in the form of counters or other horizontal workspace.
- No additions.

- L. SANITARY CONDITION - The unit and its equipment shall be in sanitary condition.

ACCEPTABILITY CRITERIA

1. The unit and its equipment shall be free of vermin and rodent infestation.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions not made without City permits

APPENDIX E

SHARED EQUITY EXAMPLE

The City wants to help low and moderate income persons and families who would not be able to buy homes in the City without City funds. City resources, however, are limited. You benefited from City financial help; it is only fair that you repay the City in proportion to that benefit. That is why the City has included "contingent interest" (also known as "shared equity") in your loan repayment. In general, contingent interest is a percentage of the difference between the "Original Affordable Purchase Price" of your home and the price paid to you by the new purchaser when you sell your home.

The "Original Affordable Purchase Price" is the effective price that you paid for your home. The actual purchase price that you paid for your home is the Full Purchase Price. The Full Purchase Price is equal to the Original Affordable Purchase Price plus the original amount of the Homebuyer Loan.

The contingent interest you pay represents the benefit you received from the Homebuyer Loan less a 25% credit for any capital improvements that you may have made to your home. More specifically, the Contingent Interest is 75% of the percentage which is figured by dividing the amount of the Homebuyer Loan by the Full Purchase Price of the home. For example, if the Homebuyer Loan is equal to 50% of the actual purchase price of your home, when you sell the home, 75% of 50% (or 38%) of the appreciation amount would be owed to the City as contingent interest. The City has agreed that it will recover no more than 50% of shared appreciation on each home. Example 4 sets this out with numbers.

EXAMPLE 4 Using the assumptions set forth in Example 1, you sell your home after living in it for 15 years. The "Original Affordable Purchase Price" is \$400,000. The amount of the Homebuyer Loan was initially \$20,000. As a result, the Full Purchase Price that you paid for your home was \$420,000. When you sell, the Full Sales Price of your Home is \$500,000.

Homebuyer Loan (\$20,000) divided by Full Purchase Price (\$420,000) = 11%
Contingent Interest: 75% of 11% = 8%

This means that the City will receive 8% of the difference between the Original Affordable Purchase Price, which is the difference between the Original Affordable Purchase Price of your home and the price for which you sell it.

New Sales Price of Home	\$500,000
Original Affordable Purchase Price	<u>-\$400,000</u>
Total Appreciation Amount	\$100,000
City Share of Appreciation (38% of \$22,500)	<u>\$8,000</u>
Share of Appreciation That You Keep	\$92,000

Under these assumptions, if you sell your home in 8 years, the total you would owe the City is the following:

Homebuyer Loan Amount	\$20,000
City Share of Appreciation	+ \$8,000
TOTAL AMOUNT YOU OWE CITY	\$28,000